



Memorandum

DATE: June 12, 2007

TO: Members, Assembly Committee on Health and Health Care Reform

FROM: Mark D. Kaufman, MD
Chief Medical Officer

Al Musa, MD
Internal Medicine

RE: Please Support Assembly Bill 111

Dean Health System requests your support for Assembly Bill 111, relating to an income and franchise tax credit for information technology equipment used to maintain medical records in electronic form. This legislation would clearly facilitate the implementation of electronic medical records (EMR) for many Wisconsin providers.

Similar legislation (2005 AB 955) passed the state Assembly last session on a voice vote. Governor Doyle has also included such a tax credit in his 2007-09 biennial budget recommendations. Clearly, this initiative has bipartisan support.

There is no question EMR is the wave of the future. At Dean Health System, we are embracing this and have already implemented EMR at many of our clinics and departments. The response has been overwhelmingly positive. Both patients and physicians have quickly recognized the quality improvement, efficiency and cost-saving capabilities of EMR.

In its seminal work, Crossing the Quality Chasm, the Institute of Medicine cited six aims for improved care: Safe, Effective, Patient-centered, Timely, Efficient and Equitable. EMR directly supports these aims. It is a key element of 21st century medicine.

On a more practical level, the EMR helps us ensure patients with chronic diseases, such as diabetes, receive the timely check ups and interventions they need to manage their conditions without preventable and costly visits to the emergency room. It helps us remind parents to have their children immunized against many dangerous and preventable diseases. And it prevents the costly repetition of tests or appointments because a paper medical record is unavailable, unreadable or incomplete.

From a transparency and quality reporting perspective, the EMR can help simplify quality measurement and improvement efforts. According to Bob Calway, Vice President of Clinical Services for Joslin Diabetes Center in Boston, the "EMR [electronic medical record] systems are now recognized as the most effective and economically viable method for physicians to extract data that supports efforts to improve quality, patient care, and patient safety. In addition, they are invaluable for providing process and outcomes data required by payers and accreditation organizations." (May 2007, American Medical Group Assn, Group Practice Journal magazine)

However, for all of its clear advantages, EMR systems are equally expensive. At Dean, we are investing over \$60 million for our EPIC system. While we are a large system, this investment must be accomplished in a health care environment that can best be described as "challenging". Investing resources of this magnitude mandates that other needs may go unmet, such as newer clinical technologies, modern facilities or staff. Such pressures are only magnified for smaller provider groups. In fact, recent studies estimate that for each physician, it will cost over \$40,000 for EMR implementation as well as thousands annually for maintenance.

Unfortunately, it often takes money to save money. The EMR is no exception. This legislation reduces this pressure by creating a strong incentive to make the EMR a reality for all of our patients and providers.

Thank you for your consideration. Please contact our Vice President of Governmental Affairs, Michael Heifetz if you have questions. He may be reached at (608) 250-1225.



My name is Mara Brooks and I am the Director for Government Services for the Wisconsin Dental Association (WDA). On behalf of the WDA, I am speaking for informational purposes on AB 111.

I would first like to state that the WDA extends its general support for AB 111. The WDA is very pleased that AB 111, as written, includes dentists, as health care professionals, as being eligible to potentially qualify for the income and franchise tax credits when implementing technology equipment used to maintain medical records in electronic form. According to the bill, certification by Certification Commission for Healthcare Information Technology (CCHIT) is a criteria that must be met in order for a health care provider or clinic to qualify for a tax credit. After doing some research into this issue, it is the WDA's understanding that, at this time, the CCHIT only certifies medical electronic software and technology and does not currently include certification for dental software.

Our concern is that any dentist who wishes to maintain dental records in electronic form will not qualify for a tax credit due to the fact that no dental products certified by the CCHIT. The WDA hopes that this issue can be discussed and the legislature can specify a method by which the Department of Commerce can authorize tax credits for electronic dental products despite the fact that dental products are not certified by CCHIT.

Thank you for allowing me to speak on AB 111 today. I would be happy to try and answer any questions you have.



WISCONSIN ASSOCIATION OF HEALTH UNDERWRITERS

Wisconsin's Benefit Specialists

Assembly Committee on Health and Healthcare Reform

Assembly Bill 111

June 12, 2007

The Wisconsin Association of Health Underwriters (WAHU), along with other agent associations, has developed the Sensible Health Care Solutions- a comprehensive health care reform plan. WAHU and the Coalitions reform plan are supportive of expanding both the patient safety and cost effectiveness that health information technology provides and therefore, we support Assembly Bill 111. We believe that AB 111 will potentially eliminate some of the errors faced by health care providers and health facilities. The following is our position on health information technology, taken from the Sensible Health Care Solutions:

Sensible Health Care Solutions

4. Health Information Technology (IT)

We must expand both the patient safety and cost effectiveness that health information technology provides. We need to make improvements to health information technology systems. It is estimated that improvements to IT can reduce health care cost up to 20 percent each year by saving time and reducing duplication. As such, The Coalition is highly supportive of health IT initiatives as a way to lead to higher-quality care for American consumers by reducing errors and improving patient satisfaction. Advances in health IT will enable true collaboration between doctors and patients as consumers make more informed choices and doctors become more involve in their care.

Expand Health IT

The Governor and our legislature recognize the value in expanding health IT. We support the Governor's budget provision that would expand health IT in Wisconsin. In addition we support legislative proposals that provide tax incentives to encourage health IT expansion.

Being able to access medical records and documents with ease is a key component in not only improving patient satisfaction, but also providing better information to track public health problems and advance clinical research. Many medical facilities do not obtain the technology to maintain medical records in electronic format, making it extremely difficult to keep an organized system when sending and receiving medical records and documents.

AB 111 would create an income and franchise tax credit for the purchase of information technology hardware or software used by health care providers and health facilities to

maintain medical records in electronic format. The amount of the credit would be 50 percent of the cost of the hardware or software. In addition, this bill would also create a tax credit for the interest on bonds and notes issued by the Wisconsin Health and Educational Facilities Authority, if the proceeds of the bond or note are used by a health facility to purchase information technology hardware or software. Therefore, we strongly urge you to support AB111 and the other health IT expansion ideas outlined in this paper.



State of Wisconsin • DEPARTMENT OF REVENUE

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Jim Doyle
Governor

Roger M. Ervin
Secretary of Revenue

Assembly Committee on Health and Healthcare Reform Hearing, June 12, 2007

AB 111 - Health Care Information Technology Credit (Rep. Moulton)

Description of Current Law and Proposed Change

This bill creates income and franchise tax credits for the purchase of certain information technology equipment by health care providers and health facilities. Under the bill, a health care provider may claim a credit equal to 50% of the amount the provider paid in the taxable year for information technology hardware or software that is used to maintain medical records in electronic form. The annual credit amount is capped at \$10 million. The Department of Commerce would certify providers and facilities for the credit, and would allocate the annual amount to the eligible providers.

Also, under the bill a person may claim a credit equal to 6.5% for individuals and 7.9% for corporate claimants, of the interest received on bonds and notes issued by the Wisconsin Health and Educational Facilities Authority, on or after the effective date of the bill, if the proceeds of the bond or note are used by a health facility to purchase information technology hardware or software.

The bill would first apply to taxable years beginning on or after January 1, 2008.

Fairness/Tax Equity

- The bill would provide a credit for the interest received from WHEFA bonds for information technology, but would not provide a credit for other WHEFA bonds or for bonds issued by other entities.

Impact on Economic Development

- The bill would provide incentives for health care providers to invest in information technology. This could produce greater coordination of patient care across providers. Such coordination could reduce medical errors and improve the quality of health care.
- The bill would provide an annual cap on the amount of credits that may be claimed in a taxable year. The benefit of an enforceable annual cap is that it limits the fiscal effect of the program.

Administrative Impact/Fiscal Effect

Fiscal effect:

- Credit for IT Purchases - The Department estimates that the provision providing a credit for IT purchases in the bill would reduce state revenue by \$10 million annually, the amount of the annual cap stated in the bill.
- Credit for Interest on WHEFA Bonds - The bill would provide an income tax credit for a percentage of interest on bonds issued by WHEFA if the proceeds are used by a health facility to fund the acquisition of information technology hardware or software. As a result, the bill would reduce tax revenues. However, the amount of bonds issued to finance medical information technology and the resulting fiscal effect of the credit are not known.

Technical Issues:

- Because the information technology credit is claimed after alternative minimum tax, the bill should be amended to include this credit in the list of credits not considered when computing alternative minimum tax.
- The bill provides a credit for interest income from bonds issued by the Wisconsin Health and Educational Facilities Authority. This provision raises a number of technical concerns. For the reasons explained below, it may be preferable if the interest income from the bonds were exempt from income tax, rather than allowed as a credit.
 - For individuals, it adds complexity to the tax forms. The individual would have to include both the interest and the credit in income. In addition, for those allowed a standard deduction, the standard deduction would also decrease. Thus they would be taxed on the interest, the credit, and the result of the decreased standard deduction while being allowed a credit based only on the interest.
 - The rationale for allowing the credit to nonresidents is unknown since interest from the bonds would not be taxable to Wisconsin. It may be better to not allow the credit to nonresidents and to allow it to part-year residents only based on interest income from the bonds that is taxable to Wisconsin.
 - The bill requires a pass-through entity to compute the amount of credit allowable to its partners, members, or shareholders. Since these entities are not subject to tax, they do not have a tax rate and therefore cannot compute the amount of the credit. As a result, it is suggested that the language be amended to require the pass-through entity to inform its partners, members, or shareholders of their share of the interest income in proportion to their ownership interest. The partner, member, or shareholder would then multiply the interest by its tax rate.
 - Since this bill allows corporations to claim a credit for certain state interest income, while no credit is allowed for federal interest income, it could be subject to court challenges that may result in the invalidation of the corporate franchise tax. If the franchise tax is invalidated, it would result in a substantial revenue loss to the state.

THE UNIVERSITY OF CHICAGO
DEPARTMENT OF CHEMISTRY
CHICAGO, ILLINOIS 60637

TO THE EDITOR:
I am writing to you to inform you of the results of the experiments I have conducted in the laboratory of the Department of Chemistry, University of Chicago, during the past few months. The results are very interesting and I believe they will be of great value to you.

I have found that the reaction between the two substances I have been studying is much faster than I had previously thought. This is due to the fact that the reaction is catalyzed by the presence of a small amount of the third substance.

I have also found that the reaction is reversible. This is very important because it means that the reaction can be used to study the kinetics of the reaction. I have also found that the reaction is exothermic.

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Prepared by: Michael Oakleaf, (608) 261-5173

June 7, 2007

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